

H-3105-1 - COOPERATIVE CONSERVATION PROVISIONS

KeywordsV. Unit ContractionA. General

Contraction of a unit is the process of reducing a unit area to the boundaries of the participating area (PA), usually occurring in accordance with the terms of the unit agreement. Most units automatically contract to the PA 5 years after the first PA is established. Termination of a PA also results in unit contraction.

UNIT
CONTRACTION

An elimination from a unit of the entire lease committed to that unit results in a 2-year extension of the lease under 43 CFR 3107.4, unless the lease term surpasses the length of that extension. (NOTE: Basically, the lease extension is the same as that resulting from a unit/CA termination.)

LEASE
ELIMINATED
IN ENTIRETY
FROM UNIT

Elimination of a portion of a committed lease from a producing unit plan does not cause or permit a segregation of the eliminated portion into a new and distinct lease. The eliminated portion of the lease and the portion that remains unitized continue to form one lease. The term of the eliminated portion continues coextensively with the term of the portion of the lease still committed to the unit plan.

LEASE ELIMINATED
IN PART FROM
UNIT IS NOT
SEGREGATED

Section 17(b) of the Mineral Leasing Act of 1920, as amended, 30 U.S.C. 226(m) (1988), contains no authority for the Department of the Interior to segregate a unitized lease into separate leases upon its partial elimination from a unit plan by reason of contraction of the unit area. (See Continental Oil Company, 70 I.D. 473 (1963), State National Bank of El Paso, Texas, Trustee, 12 IBLA 354 (1973), and Marathon Oil Company, et al., 78 IBLA 102 (1983).)

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B. Action on Leases Affected By Contraction

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive notification from Field Office fluid mineral operations that unit has contracted. The notice is to identify those leases entirely and partially eliminated and to include a new unit area map (Exhibit A) and a new schedule of leases Exhibit B). The notice also is to include all pertinent well information in order that the SO fluid lease adjudication is able to determine lease status for each lease involved, i.e., minimum royalty, rental, or production on a lease basis.	UNIT CONTRACTION INFORMATION RECEIVED
		<p><u>NOTE:</u> After September 30, 1991, the the agreement case abstract that has been entered into Case Recordation, is to be used in place of the older Exhibit B, Schedule of Leases, format. The use of this automated Exhibit B from the General Remarks area of the Case Recordation agreement case abstract applies to all references to Exhibit B in this text.</p>	
	2.	Send new Exhibit A to Title Records	
Title Records	3.	Adjust unit area on oil and gas plat or other appropriate status records.	
Adjudication	4.	Order case files from Docket for all leases within the unit boundary prior to the contraction. These leases are listed on the old Exhibit B in the unit folder.	
Docket	5.	Charge case files to Adjudication.	

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Responsible Official	Step	Action	Keywords
Adjudication	6.	<p>Review documents, including new unit area map and new Exhibit B, to verify which leases are within the contracted area in whole or in part and which leases are completely outside the new unit boundaries. If any discrepancies are evident, notify Field Office fluid mineral operations to resolve any problems.</p> <p>File evidence of unit contraction in the unit work folder if such a folder is maintained in the SO fluid lease adjudication.</p>	<p>VERIFICATION OF LEASES AFFECTED BY UNIT CONTRACTION</p>
	8.	Process the case files as follows:	ACTION ON CASE FILES
	8a.	<p><u>LEASES COMPLETELY OR PARTIALLY WITHIN THE UNIT THAT WERE NOT COMMITTED</u> - No adjudicative action is required. If case files for such leases were previously marked to indicate the existence of the unit, either remove the marking or stamp the case file jacket to indicate that the lease is no longer in the unit area, e.g., <u>(Name)</u> unit area contracted, effective <u>(Date)</u>. Route the case file for ALMRS Entry (see Step V.B.9c, below), and to Docket for filing.</p> <p><u>NOTE:</u> Sometimes such uncommitted leases are in the PA and, thus, are still within the contracted unit area. Such leases may be partially committed to the unit and receive some allocated production benefits (see Handbook 3180-1). In such instances, the case file jacket or case file should continue to indicate the relationship to the unit in the event of subsequent joinder.</p>	<p>UNCOMMITTED LEASES</p>

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Responsible

Official	Step	Action	Keywords
		<u>LEASES COMMITTED TO THE UNIT THAT ARE COMPLETELY WITHIN THE CONTRACTED UNIT AREA</u> - No adjudicative action is required. No change in ALMRS Entry is made, because the lease status is not affected. Return case files to Docket.	COMMITTED LEASES/ALL REMAINING IN UNIT
	8c.	<u>LEASES COMMITTED TO THE UNIT THAT ARE PARTIALLY WITHIN THE CONTRACTED (REMAINING) UNIT AREA</u> - Complete a "unit contraction information sheet" (see Illustration 16). No lease extension is authorized; the lease is not segregated. File the completed sheet in the case file. Route the case files for ALMRS Entry (see Step V.B.9b, below), and to Docket for filing.	COMMITTED LEASES/PART ELIMINATED
		<u>OPTIONAL:</u> Mark the case file jacket to indicate that part of the lands in the lease have been contracted out of the unit, e.g., PARTIALLY CONTRACTED OUT OF <u>(Name)</u> UNIT, EFFECTIVE <u>(Date)</u> .	
		<u>LEASES COMMITTED TO THE UNIT THAT ARE ENTIRELY ELIMINATED FROM UNIT</u> Remove any reference to unit commitment from the outside of the case file jacket. Determine if lease is entitled to an extension. If so, proceed to Section V.C, below.	COMMITTED LEASE/ENTIRELY ELIMINATED
		<u>OPTIONAL:</u> Stamp outside of case file: <u>(Name)</u> UNIT CONTRACTED, EFFECTIVE <u>(Date)</u> .	

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Responsible Official	Step	Action	Keywords
ALMRS Entry	9.	Enter appropriate actions in Case Recordation in accordance with the current data standards:	AUTOMATED NOTATION
	9a.	Enter Action Date (MANDATORY ACTION CODE): Date lease eliminated by contraction (effective date of contraction); DE 1775 Action Code 257/DE 2910 Action Code 226; Action Remarks: Unit serial number; <u>OR</u>	
	9b.	Enter Action Date (MANDATORY ACTION CODE): Date lease partially eliminated by contraction (effective date of contraction); DE 1775 Action Code 234/DE 2910 Action Code 253; Action Remarks: Unit serial number; General Remarks: Enter legal land description and acres in portion of lease eliminated from unit.	
	9c.	For uncommitted leases that were within the unit that are no longer in the contracted unit, remove the DE 1775 Action Code 262/DE 2910 Action Code 233 entry.	

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C. Action on Lease Extensions

Responsible Official	Step	Action	Keywords
Adjudication	1.	Prepare decision notifying the lessee of the lease extension (see Illustrations 17 and 18; Illustration 18 provides examples for multiple leases involved in a unit contraction).	LEASE EXTENSIONS
	2.	Determine whether the lease account is to remain in producing (nonterminable) status or is changed to nonproducing (terminable) status in the MMS automated system. (See Step IV.C.2, above, and Appendix 4 for situations that would result in the lease account reverting to a rental status.)	LEASE ACCOUNT TRANSFER
	3.	Provide a copy of the decision to the MMS-DMD, annotating the decision with any additional information required by the MMS, especially is the lease account reverts to rental (terminable) status.	
	4.	Route decision for signing, mailing, ALMRS Entry, and to Docket.	
Signing Official	5.	Check and sign decision.	
ALMRS Entry	6.	Enter appropriate actions in Case Recordation using the current data standards:	AUTOMATED NOTATION
	6a.	Enter Action Date (MANDATORY ACTION CODE): Effective date of lease extension (<u>Date unit contraction effective</u>); DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU (<u>Date to which lease is extended</u>); <u>AND</u>	
	6b.	Enter Action Date (MANDATORY ACTION CODE): New expiration date of lease; DE 1775/2910 Action Code 763.	

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Responsible

Official	Step	Action	Keywords
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7. If lease remains in producing (nonterminable) status in the MMS automated system:

Enter Action Date (MANDATORY ACTION CODE): Lease paying minimum royalty; DE 1775/2910 Action Code 649; Action Remarks: Applicable minimum royalty rate per acre.

8. If lease reverts to a rental (terminable) status:

Enter Action Date (MANDATORY ACTION CODE): Date notice sent to MMS that lease account is changed from a producing (nonterminable) status to a nonproducing (terminable) status; DE 1775/2910 Action Code 058.

Docket

9. File case files.

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